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LITTLE CHANGE SEEN IN FARM PRICES AND INCOME

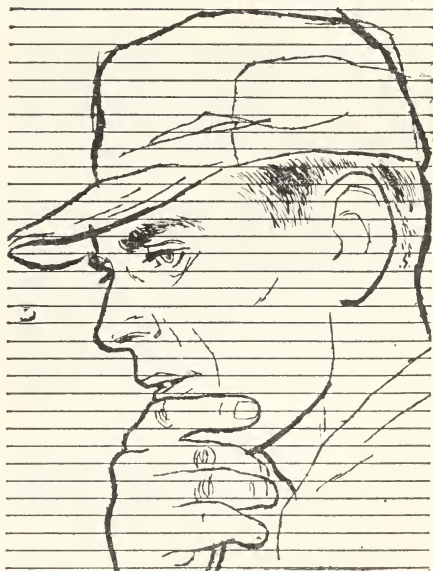
The general stability that we've seen in farm prices, cost rates, and incomes for the past 2 years is expected to continue in 1961.

Prices farmers have received this year are averaging only slightly below 1959. In 1961, the prospective increase in marketings of cattle, and sustained or larger hog marketings later in the year, could lead to some further decline in cattle prices and possibly a greater than seasonal reduction in prices of hogs in the fall months. Under present law, minimum price supports for 1961 production will be about the same as for 1960.

The index of prices paid by farmers for commodities, interest, taxes, and wage rates also has held relatively stable in 1960, at levels slightly above last year. The easing of inflationary price pressures suggests that farmers will pay relatively stable prices in 1961 for the production items they buy from the nonfarm sector of the economy.

Interest charges per acre, taxes on farm real estate, and farm wage rates are expected to average somewhat higher in 1961.

Feeder livestock prices, which were about 8 percent below a year earlier in



OUTLOOK ISSUE

Prices and Income—Continued

September and October may change little from current levels. Prices of purchased feed may average about the same. The parity ratio which has held steady around 80 in recent months probably will continue much the same in 1961, assuming no change in existing farm programs.

It now appears that realized net farm income in 1960 may equal or possibly exceed the 1959 figure. This improvement over prospects indicated earlier this year largely stems from the increased output of wheat, as well as a smaller-than-expected increase in production expenditures.

Farmers' income from nonfarm sources in 1960 will probably again account for about a third of total net income of all farm people. The downward trend in the number of farms has apparently been rapid in the last 5 years. With relatively stable total income during this period, average farm income has risen.

The price outlook for 1961 does not point to much overall change from current levels. But larger marketings of most livestock products may contribute to some easing in prices later in 1961.

Relatively high prices for hogs reflect smaller marketings from the sharply reduced 1960 spring pig crop. Although breeding intentions point to an upturn in hog production in 1961, prices may continue above year-earlier levels at least through the first half of the year. Somewhat larger marketings of hogs are in prospect for the closing months of 1961.

Marketings of cattle and calves, despite a further buildup in breeding herds, also will increase again in 1961 and prices are expected to ease further.

Prices of the dairy product group and of eggs are averaging above 1959 and will likely continue higher than year-earlier levels in coming months.

Prices for most crops so far this year have averaged about the same as a year earlier and, except for seasonal variations, they probably will continue fairly stable in 1961.

Record large supplies and marketings of major crops and further increases in marketings of livestock products will again be major influences shaping the agricultural price and income outlook for 1961. Stocks of wheat and feed grains, which have been excessive for some years, are expected to increase further in the 1960-61 marketing year. The build-up in cattle numbers, though slowing in 1960, is likely to continue in 1961 and livestock production as a whole is expected to increase.

Domestic demand for food and other farm products is expected to be well maintained in 1961. With a prospective moderate rise in income, expenditures for food are likely to rise.

Our agricultural exports in 1960-61 will probably approximate the \$4.5 billion exported in 1959-60. In terms of quantity, a new record is likely. Favorable factors are: Continued high economic activity abroad, particularly in Western Europe; large gold and dollar holdings in most industrial importing countries; some further lowering of trade barriers against U.S. farm products; and continuation of special Government export programs, as well as payments-in-kind on exports, especially wheat and cotton.

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PROFIT PROSPECT TIGHTENS FOR POULTRY AND EGGS IN 1961

So far this year egg, broiler, and turkey prices have averaged around 10 percent higher than last year. This contrast between 1959 and 1960 has headed many poultry and egg producers toward expansion. This interest in expansion makes the 1961 egg and poultry outlook less favorable than 1960.

Egg prices are likely to remain favorable to producers—seasonal factors considered—at least through the first quarter of 1961. Thus the stage will be set for an increase in chicks produced during the important hatching months of 1961, particularly in the early months.

But, as the hatching season progresses, the large hatches expected through the first quarter are likely to affect the industry's thinking. If the hatchings show an increase as expected here, they will induce an expectation that egg supplies will be abundant in the last few months of 1961.

Large hatches would in turn discourage storers and breakers from taking their usual springtime quantities of eggs, except at prices that are in line with the prices that they expect at the time when they would be taking their eggs or egg products out of storage.

Storers of shell eggs, and breakers who prepare frozen egg, are important springtime users of the seasonal surplus. This past spring, from February through June, 14 percent of the eggs produced on farms reached their hands. In the preceding 5 years the range was 12 to 16 percent.

Because their importance in the market is so great, these demands for storage and breaking are a principal factor in establishing the price of eggs in the spring. If the basis for establishing this demand has some bearish elements—in other words, a prospective large production in the fall—prices will be affected even before larger production occurs.

Here's what we expect next spring—egg prices in line with the favorable prices of this fall, until it becomes evident that the hatch will increase. This

will happen about the time the market becomes heavily dependent on storage demand. Then egg prices will likely drop. The late hatch will decline to counter the price drop. Thus, the late hatch—in May and June—may even be smaller than in 1960.

What will this do to the prices farmers receive for eggs? Well, the likelihood of a smaller late hatch means that prices won't drop as low as they did in April-June 1959. But egg prices next April through June probably won't be as high as in 1960.

For the year as a whole, this would bring us out with an average egg price somewhere between the 31.1 cent average of 1959 and the figure of about 35 cents a dozen that we expect for 1960. The increase in production after mid-year 1961 won't fully offset the lower production in the fore part of 1961, and total production will therefore be smaller. Because population will meanwhile be larger, average per capita consumption will again decrease in 1961; it will be on the order of 310 eggs per person, compared with 325 in 1960, and 347 in 1959.

The increases in prospect for broiler and turkey production in 1961 will be partly because of (1) the technology developing in those industries, (2) the integrated form of organization common to both, and (3) the favorable price experience that broiler and turkey producers are having this year.

(continued on the next page)

Want More Outlook Info?

If you need more detailed information on the outlook for farm products in 1961, drop us a card and let us know what you're interested in. We have reports on cotton, dairy, farm income, fats and oils, feed, fruit, livestock, poultry and eggs, tobacco, vegetables, wheat, and wool. Our address: The Agricultural Situation, Marketing Information Division, AMS, USDA, Washington 25, D.C.

These factors are behind the 10 to 15 percent increase from last year in broiler hatchery activity since the beginning of September. They're also behind the 27 percent increase in the past 6 months in the number of pullet chicks sold for broiler breeder flocks.

The record of recent hatchings indicates an enlarged supply of broilers into the first quarter of 1961. The increases in pullet chicks for hatching supply flocks suggest a more readily available supply of hatching eggs in the last half of the year. The price adjustment to the prospective increase in broiler supply probably heads off a repetition of the contra-seasonal broiler price increase which occurred in December 1959.

Indications point to an increase in turkey production in 1961, particularly among heavy turkeys. August, September, and October hatches, and November 1 eggs in incubators, which are the basis for early-1961 marketings, are up 31 percent from the year before. Farmers' intentions to keep turkeys for breeding are up 23 percent.

The larger prospective marketings for early 1961 and the larger storage holdings on December 1, suggest that there will not be a repetition of the extreme price runup which occurred late last year. They also suggest that prices at the beginning of 1961 will make their adjustments from an initial lower level than prevailed at the same time in 1960.

Edward Karpoff

Agricultural Economics Division, AMS

OUTLOOK FOR RICE

Our rice supply for 1960-61 totals 66.8 million hundredweight in terms of rough rice. The supply consists of the August 1 carryover of 12.1 million cwt., a crop of 54.3 million, and imports estimated at 0.4 million.

Domestic disappearance is estimated at 28.3 million cwt. Our exports might reach 29 million cwt. These estimates indicate a carryover August 1, 1961, of around 9.5 million, 2.6 million below August 1, 1960.

Robert Post

Agricultural Economics Division, AMS

TOBACCO OUTLOOK

The 1960 price supports for the eligible kinds of tobacco are the same as in 1959. The position of the parity index during recent months indicates that the 1961 price support levels will be virtually the same as in 1960 and 1959.

The 1960-61 total supply of flue-cured (this year's crop plus the carry-over) is estimated to be 2 percent above 1959-60, but 9 percent lower than the record high level of 4 years ago. The 1960-61 total supply of burley has declined about 2 percent from a year ago and is 9 percent lower than the peak level of 1954-55.

The total supplies of Maryland tobacco, fire-cured tobacco, dark air-cured tobacco, and Connecticut Valley cigar binder tobacco are estimated to be smaller for 1960-61 than for 1959-60. However, the 1960-61 supplies of cigar filler and Wisconsin binder tobacco are estimated to be larger than for a year ago and the 1960-61 supply of the cigar wrapper tobacco is at a record high.

Tobacco Products Output

In 1961 cigarette output is likely to top the record 512 billion estimated for 1960. Cigar and cigarillo production also will probably continue to increase.

The 1960 consumption of cigars and cigarillos may total 7.2 billion, about 200 million above 1959 and the most since 1923 when 7.4 billion were smoked.

Output of smoking tobacco for pipes and "roll-your-own" cigarettes this year is expected to total 73 million pounds—practically the same as last year but a third less than 10 years ago.

The 1960 output of chewing tobacco is estimated at 65 million pounds—3 million below 1959 and lowest on record. Production of snuff in 1960 at 35 million pounds is likely to be up 700,000 pounds from 1959.

The outlook for tobacco was covered in detail in our September issue. If you're interested in more information see the box on page 3.

Arthur G. Conover

Agricultural Economics Division, AMS

COTTON DISAPPEARANCE AGAIN EXPECTED TO EXCEED PRODUCTION

Disappearance of cotton in the United States during the 1960-61 marketing year probably will be larger than production of 14.2 million running bales. Consequently, the carryover of cotton on August 1, 1961, may be smaller than it was a year earlier, down to about 7 million bales, compared with the 1960 carryover of 7.6 million bales. The 1961 carryover probably will be the smallest since 1953 and less than 50 percent of the record high of 14.5 million bales in 1956.

Both exports and mill consumption of cotton in 1960-61 probably will decline and disappearance may total about 15 million bales. This will be about 1.2 million bales smaller than disappearance in 1959-60, but still the third largest disappearance since 1928-29. Expected disappearance in 1960-61 is exceeded only by that of 1956-57 and 1959-60.

Mill consumption in 1960-61 is expected to be no larger than 8.5 million bales, compared with approximately 9 million bales in the preceding season. The decline in mill consumption of cotton is indicated by lower rates of cotton consumption by domestic mills in August and September 1960 than a year earlier, steady increases in the ratio of stocks to unfilled orders for broad-woven goods over the past several months, a rather steady decline in the value of fabric, and sharp increases in imports of cotton textiles and cotton picker laps.

Exports in the 1960-61 season will still be substantial at about 6.5 million bales, although about 700,000 bales smaller than the very large exports of last season. In 1960-61 production of cotton in the foreign free world is expected to be about 1.5 million bales larger than the 16.5 million bales of 1959-60. Consumption of cotton is

expected to stay at a high level, perhaps slightly above the record high of last year. Exports from the foreign free world to Communist countries probably will increase because of smaller cotton crops behind the Iron Curtain. Stocks of cotton at the end of the current season in the foreign free world also are expected to increase because of the very small stocks of cotton in India and some of the other producing countries at the start of the season.

Despite larger production in the foreign free world, increases in consumption and stocks are expected to maintain United States exports in a relatively high level. When we consider the Communist countries and the free world together, there is still a gap between cotton consumption and cotton production. This gap causes United States exports to be at a substantial level.

Also, United States Government financing of cotton exports is larger this year than in the preceding fiscal year. As of November 7 it was estimated that about 1.7 million bales were authorized for export under such programs in the 1960-61 fiscal year. About 1.4 million were exported under these programs in 1959-60. The increase is occurring principally under Title I of Public Law 480. Exports under the Mutual Security Act are expected to be smaller than in 1959-60.

Production of cotton in the United States during the 1960-61 marketing year is estimated at about 14.2 million running bales, as of November 1. This compares with 14.5 million bales produced in 1959 and it is being produced on a larger acreage. Harvested acreage is about 400,000 acres larger than in 1959 and is the largest acreage since 1956. The yield per acre for the 1960 crop is estimated about 442 pounds per

(continued on the next page)



Cotton—Continued

harvested acre. This compares with 462 pounds in 1959 and a record high of 466 pounds in 1958.

The yield for 1960 moved counter to the longer term trend. The yield per harvested acre has been trending upward for some time.

For the 1961 crop, a marketing quota of 15.6 million bales for upland cotton was announced on October 13. At the same time the national acreage allotment was set at about 18.5 million acres compared with total allotments including Choice B selections of 17.5 million acres in 1959.

The proportion of cotton acreage allotments in the West declined from 9 percent in 1960 to about 7.6 percent in 1961. The proportion in the Southeast increased about 0.5 percentage points to about 18.3 percent. The proportion in the Southwest increased about 0.8 percentage points to about 47.2 percent and the 26.9 percent for the Delta was close to that of a year earlier.

The CCC held stocks of cotton (owned and held as collateral against price support loans) on October 28 totaled about 5.1 million bales compared with approximately 6 million bales on about the same date a year earlier. On August 1, 1960, CCC held stocks of about 5 million bales were about two-thirds of the carryover. Purchases of Choice A cotton through October 28 totaled about 3 million bales, compared with about 3.5 million bales during the same period a year earlier.

The smaller purchases during the current season probably reflect the lower rate of ginning for the 1960 crop. Sales of Choice A cotton through October 28 were approximately 1.4 million bales leaving about 1.6 million bales in stock.

The average 14 spot market price for Middling 1-inch cotton in October of 30.22 cents a pound was the lowest average price at the designated markets since June 1946 and compares with 31.66 cents in the same months a year earlier. The difference in the two October prices of 1.44 cents a pound compares with a lower Choice B price support level of about 1.77 cents a pound for Middling 1-inch cotton.

For the 1960 crop, Choice A cotton

was supported at 75 percent of the February parity price and Choice B cotton was supported at 60 percent. Both support levels applied to Middling $\frac{7}{8}$ -inch cotton at average location.

For the 1961 crop there will be no Choice A or B support level. Legislation specifies one support level between 70 and 90 percent of parity. Also, the quality to which the support level applies is changed from Middling $\frac{7}{8}$ inch to the average quality of the crop. After 1961 the lower limit will be 65 percent of parity.

Frank Lowenstein

Agricultural Economics Division, AMS

Vegetable Outlook

Frozen vegetable supplies probably will be a little larger during the first half of 1961 than a year earlier, but the total supply of canned vegetables is likely to be a little smaller.

Slightly more potatoes are expected to be available this winter than last. Production for fall harvest, much of which is stored for winter and spring marketing, was moderately larger than in 1959. The crop of winter potatoes, which furnishes only a small part of winter marketings, is likely to be larger than that of last winter. Processor demand is expected to continue strong.

Will M. Simmons

Agricultural Economics Division, AMS

OUTLOOK FOR FRUIT

Total production of fruit may be larger in 1961 than in 1960, when unfavorable weather reduced many crops. With average weather next year, increases can be expected in both the 1961 deciduous crop and in the 1961-62 citrus crop.

Consumer demand for fresh and processed fruit in 1961, supported by continued high income, is expected to be equal to that of this year.

Ben Pubols

Agricultural Economics Division, AMS

The outlook for fruit, nuts, and vegetables was covered in detail in our November issue. If you're interested in more information see the box on page 3.

MILK PRODUCTION MAY RISE FURTHER IN 1961

A capsule summary of the dairy outlook is: Commercial supplies of milk products will be record high in 1961, although just slightly above levels of recent years. Commercial demand probably will again increase less than the population. Prices to farmers and to consumers for dairy products will average above a year earlier through March 1961. Thereafter, the level of price supports to be announced before next April 1 may be an important determinant of prices to farmers. Cash receipts from farmers' sales of dairy products in 1961 are likely to increase slightly over 1960 to another new record. However, total costs for producing milk have been rising. Cash receipts at a record high do not mean that net incomes to dairymen also are at a record high.

Much has been said and written about our rapidly expanding agricultural output of the last decade. Significantly, our dairy industry has accounted for little of this surge in production. Output in 1960 will be about 9 percent above the 1947-49 average for milk, compared with 29 percent for agriculture as a whole. Livestock products as a group will be up 29 percent, all crops 21 percent, and the feed grain component 42 percent.

The following factors undoubtedly have had something to do with bringing about this adjustment in output of milk: (1) more attractive farming alternatives, particularly production of beef, a product for which consumer demand is growing more than for any other livestock item, and which uses many of the same resources as dairying; (2) a growing awareness of the confining nature of dairying, compared with some alternative pursuits, particularly among younger farmers; and (3) expanding nonfarm employment

opportunities in many dairy farming areas.

The fact that dairy farmers have made a smaller increase in production than other farmers is evidence that, consciously or otherwise, dairy farmers have made substantial adjustments toward the declining demand for milk and its products. To the extent this has happened for the dairy industry, the longer-term outlook should be improved, particularly if the per capita demand for milk products should finally stabilize. The extent to which the dairy industry has made adjustments is obscured by the persistent surplus of milk products at support levels.

Beef prices (seasonally adjusted) a major factor currently influencing milk production, started to decline in the first part of 1959 and are likely to decline further in the next year or so. A repetition of the 1953 bulge in milk output, however, is not likely because beef prices not only started to decline from a lower level this time, but the adjustment has been more gradual. Nevertheless, the increase in milk production in 1961 may very well outdo the 1.1 billion-pound gain that occurred in 1960 over 1959, when output rose to 125.5 billion pounds.

The demand side of the dairy outlook does not lend itself to as straightforward analysis as does the supply. First, it is difficult to generalize about consumption of milk products. The reason for this is that the trends in consumption of the two major components of milk are going in opposite directions—milkfat down and solids-not-fat up. There is a complex of cross-current reasons for these divergent movements.

(continued on p. 10)



CATTLE

You can look for modest gains in livestock production and slaughter in 1961. A sizable increase in cattle and calf slaughter seems assured although slaughter will probably not be large enough to halt the uptrend in numbers. Hog production is turning upward and the total number slaughtered next year will probably be as large or larger than this year. Sheep and lamb slaughter next year will probably be close to this year.

Total red meat production will set a new high next year. The outlook is for meat production to increase enough during 1961 to supply each consumer with about 4 pounds more meat than during 1960. The increase will be mostly in beef. Pork supplies will be less plentiful during the first half of next year than a year earlier. In the second half of 1961 pork output will push above a year earlier if the 1961 spring pig crop is expanded as now seems likely. Veal (including calf) supplies per person will be up moderately, but less lamb and mutton is likely. Hence, red meat consumption per person will likely total about 165 pounds next year, second only to 166.7 pounds consumed in 1956.

Barring unfavorable pasture feed conditions, cattle numbers are expected to continue upward next year. In the preceding cattle cycle, numbers increased for 7 years, rising 26 percent during the upswing. Numbers have been increasing for 3 years in the current cycle and will have increased by about 12 percent by next January. The recent increase in cow and calf slaughter indicates the buildup is easing off.

Total cattle and calf slaughter next year will probably be about 10 percent larger than this year. It will include more fed cattle, but most of the gain will be in nonfed cattle and calves.

Cow slaughter is expected to pick up noticeably in 1961. The reduced culling rate in the past 3 years has probably resulted in a considerable number of aged cows being retained in the breeding herd. The number of heifers available for replacing these cows has expanded sharply. Moreover, declining calf prices have lowered the incentive for retaining aged cows.

Calf slaughter has set new lows relative to supplies during the current cycle, due largely to the greater increase in beef calves. A larger proportion of beef calves are slaughtered as cattle and a smaller part as calves. Calf slaughter usually shows a sharp jump in the third or fourth year of the cycle after significant inventory increases in older cattle.

In view of the large number of young

THE OUTLOOK

stock already added to inventories, it appears likely that slaughter next year will be up more than the expected increase in the calf crop. However, producers will still retain a considerable number of calves for further feeding or breeding and only a moderate gain in calf slaughter seems probable for 1961.

Cattle prices rose rather steadily during 1957 and early 1958. Prices then held relatively steady for about a year before turning downward. The average price to farmers for beef cattle reached \$24.40 per 100 pounds in May 1959. This compared with \$21.80 in May this year and \$19.10 in October.

A severe cyclical break in cattle prices does not appear likely in 1961. However, under pressure of increased marketings, cattle and calf prices will be lower in 1961. For the year as a whole the decline may not average greatly different than the reduction

HOGS

SHEEP

during 1960. Lower grades of slaughter cattle, however, may show more price weakness than other classes, and downward pressure on all classes will probably be greater in the last half of the year than in the first half.

During the last 20 years cattle numbers have increased about as fast as population. Beef and veal production has trended sharply upward, because of increased output per animal on hand. Briefly, the increased production per animal has been due to raising more calves to mature animals and feeding to heavier weights before slaughtering. Lighter average slaughter weights next year may offset part of the increase in numbers slaughtered.

Hog slaughter for the remaining months this year will be well below a year earlier. Commercial slaughter the

Hog prices will probably decline less than usual this fall and prices at the beginning of 1961 will be considerably above early 1960 prices. This difference will narrow during 1961 and by midyear prices are expected to be close to a year earlier.

The supply of hogs during the last half of 1961 will come largely from the 1960 spring pig crop. The intentions in the 10 Corn Belt States were for a 4 percent increase in farrowings in the first half of the spring season (December through February).

Feed supplies are large and the hog-corn price ratio favors an expansion. Hence, it appears likely that the entire 1961 spring crop will also be a little larger. A larger spring crop would mean that hog prices next summer and fall would average somewhat lower than this year, but prices for next year as a whole will probably be about the same as this year.

Production of lamb and mutton has also gained more during the past 10 years than have numbers. The increase in productivity is due to higher lambing ratios, lower death losses, and heavier slaughter weights. The uptrend in lamb and mutton production has about matched population growth resulting in a relatively stable consumption rate per person.

Slaughter of sheep and lambs the first 9 months this year has been about 4 percent greater than a year earlier. If slaughter in the final quarter continues above last year as expected, slaughter for the year may be large enough to interrupt the 3-year uptrend in numbers. Weather conditions will continue to be an important factor in sheep production next year, but the most likely prospect is for numbers to show little change during 1961. If slaughter does not change much, prices next year will probably be close to or only a little below this year.

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FOR LIVESTOCK

first 9 months was 2 percent larger than a year before, but slaughter for the year will be about 4 percent smaller than in 1959. Hog prices have been above a year earlier since June. For the year they will probably average about \$1 higher than the \$14.10 per 100 pounds received by farmers last year.

Hog production is apparently turning upward again after a one-year decline, the quickest turnabout on record. In September producers in 10 Corn Belt States planned to increase late fall and early spring farrowings. The outlook for hogs is based on this increase in supply already underway, and prospects for a modest increase in the entire 1961 spring pig crop.

Hog slaughter in the first half of 1961 will probably fall a little short of this year, but by midyear the difference from year earlier levels may be small.

CALVES

Livestock producers have a great potential for increasing output. They currently have the physical assets of large feed supplies, basic productive stock, and other facilities for expanding production. They also have the know-how. Relatively favorable prices—which will continue to be the governor as well as the generator for future production—are resulting in increases in the number of meat animals being produced. Ample meat supplies are desirable from a nutritional point of view and over the long-run are probably of mutual benefit to consumers and producers. However, in the shorter-run when supplies become excessively large, meat animal prices at the farm suffer sharp declines.

This appraisal points up the possible dangers in the longer-run outlook. Beef consumption is currently at near-record rate and will probably set new highs in the next few years. The effect of increased supplies on prices cannot be pinpointed too closely, but the price depressing force is certain.

The relatively favorable outlook for hogs in 1961 also carries with it a word of warning. In recent years hog production has usually increased for 2 years before turning downward. Should favorable conditions lead to a much sharper increase in hog production for 1961 than now seems likely or a continued increase in 1962, pork supplies per person could again be pushed up to the 68 to 70 pound mark—a level that led to significantly lower hog prices in 1955 and 1959. The danger of overproduction in hogs is accentuated by a probable increase in beef and veal.

Hence, the outlook for 1961 is for moderate changes in production and prices. But producers should be alert to the serious depressing effect that could be exerted on prices if production continues to outrun population growth.

Earl Miller

Agricultural Economics Division, AMS

THE FARMER'S SHARE

The farmer's share of the consumer's food dollar was 38 cents in September, the same as in August. In September 1959 the farmer's share was also 38 cents.

Consumption of butter could decline significantly again in 1961. Three developments point to this, in addition to the usual long-term consideration: (1) the retail price for butter will be higher in 1961 than a year earlier—at least this may be expected through March 1961; (2) unemployment may be up somewhat over what it was in at least part of 1960, although consumer income will continue high next year; and (3) prices of competing vegetable oils are likely to be lower in the next calendar year than in 1960. Looking beyond 1961, it seems likely that more declines for butter use are in the offing. Use of milkfat in some other forms also is trending downward, such as in fluid milk and cream, and through reduced fat test of frozen desserts. The second major item to show a decline from prewar is evaporated milk.

A number of other items have registered consumption increases. But these have been insufficient to offset the reduction in butter alone, and total milkfat use per person now is just slightly over 25 pounds, compared with nearly 32 pounds before World War II. In terms of whole milk as produced by farmers, consumption per person now is around 670 pounds compared with the 1935–39 average of a little over 800.

Consumption of a number of items containing milk solids-not-fat have shown healthy increases over the past 1 or 2 decades. In fact, only evaporated milk accounts for less of this component now than prewar. Use of milk solids-not-fat in all forms now is nearly 48 pounds per person, compared with a little under 40 pounds in prewar years. Per capita use of this component of milk probably will continue upward, little by little.

There is little question but what commercial supplies of milk and dairy products will again exceed commercial demand in 1961. As has been the case for several years, the excess will be larger for milk solids-not-fat than for milkfat. In 1960, the price support program is taking about 7.5 percent of solids-not-fat produced and 2.6 percent of the milkfat.

Herbert Kriesel

Agricultural Economics Division, AMS

ANOTHER RECORD FEED GRAIN CARRYOVER SEEN IN 1961

Our total feed concentrate supply for the 1960-61 marketing year is estimated at 274 million tons, 4 percent above the record supply last year and nearly a third above the 1954-58 average. This includes the record feed grain supply, another large supply of byproduct feeds, and an allowance for wheat and rye feeding at the 1959-60 level.

Every year since 1952, total feed concentrate supplies have increased, setting new records from 1954 to date. The 1.65-ton supply per animal unit also is a new high—30 percent above the 5 year average.

The record feed grain production of this year will again exceed 1960-61 requirements. Following a late start, the 1960 growing season turned out favorable for feed crops. Yields of corn and sorghum grain reached new highs and oat and barley yields were close to the 1958 record.

The 1960 feed grain crop was estimated in November at 169 million tons, 2 percent over the big crop of 1959 and nearly a fourth above the 1954-58 average. Even with continued heavy disappearance in 1960-61, the carryover into 1961-62 is expected to be around 10 percent over the 75 million ton carryover into 1960-61.

The number of grain-consuming animal units on farms in 1960-61 is expected to be slightly below the 1959-60 level. The decline from a year earlier will be greatest this fall and winter, as fewer hogs and poultry will be on farms at that time. But feeding rates per animal are expected to continue high and total consumption is expected to still equal the record 1959-60 level.

Increasing supplies of feed concentrates in recent years have been accompanied by heavier feeding of livestock

and increasing total disappearance. The total disappearance of all feed concentrates in the 1959-60 feeding year reached a record high of 186 million tons, 18 percent over the 1954-58 average.

This increase came largely through heavier feeding of grains and other feed concentrates per animal and larger exports of feed grains with only a moderate increase in the number of livestock on farms. Since 1955 the rate of feeding per animal unit has gone up about 20 percent.

Livestock-feed price ratios are expected to continue favorable in 1960-61 and feeding per animal unit may continue the upward trend of recent years.

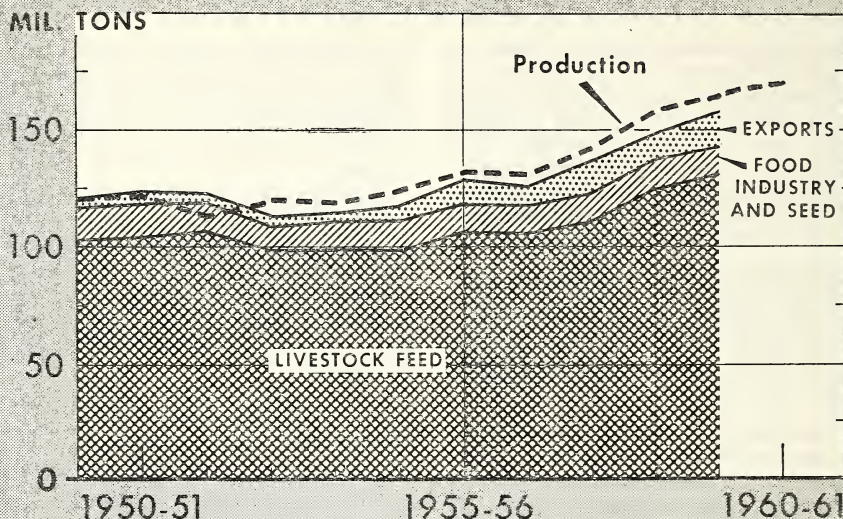
The corn supply for 1960-61 totals close to 6.2 billion bushels, 5 percent over 1959-60 and more than a third above the 1954-58 average. Although the 1960 corn got off to a late start, favorable weather through the summer and fall resulted in a crop of nearly 4.4 billion bushels, slightly above the 1959 record. Total disappearance of corn has increased sharply in recent years. Disappearance in 1959-60 of 4.1 billion bushels was more than a billion bushels larger than 5 years ago. If disappearance should continue at about this level in 1960-61, the carryover on October 1, 1961, would increase to around 2.0 billion bushels.

In 1960 sorghum production of 618 million bushels is 7 percent larger than the big crop last year. This is the fourth year production has gone over 500 million bushels, more than double production in any year prior to 1957. Domestic use and exports of sorghum grain has been increasing in recent years. But, carryover stocks also have mounted and the 1960-61 supply rose to 1.2 billion bushels, more than 4 times

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FEED GRAIN PRODUCTION AND USE



MARKETING YEAR: CORN AND SORGHUM GRAIN OCT. - SEPT.; OATS AND BARLEY JULY - JUNE
1960 BASED ON NOV. 1 INDICATIONS.

U. S. DEPARTMENT OF AGRICULTURE

NEG. 7522-60 (9) AGRICULTURAL MARKETING SERVICE

Feed—Continued

the supply in 1956. The 1960 crop probably will again exceed total disappearance and carryover stocks probably will rise to around 650 million bushels in 1961.

The 1960-61 oat supply is about the same as the small 1959-60 supply and 13 percent below the 1954-58 average. The barley supply is 5 percent smaller than that of 1959-60, but a little above average.

Feed grain prices are somewhat lower this fall than a year ago and probably will average a little lower for the entire 1960-61 feeding year. Another big crop, a slight reduction in livestock on farms, and the lower support for 1960 corn are major factors affecting prices. The national average support price for 1960 corn is \$1.06 per bushel, 6 cents lower than in 1959. Price supports for the other feed grains are the same as in 1959.

Prices of corn and sorghum grain have fallen well below the support level this fall. They probably will rise later in the marketing year to near the supports. Oat prices this year con-

tinue high relative to most other feeds, reflecting another short supply. Prices of both oats and barley are generally above the 1960 price supports but are a little lower than in 1959-60.

Supplies of high-protein feeds available for domestic feeding in 1960-61 are expected to be a little larger than those of 1959-60. Export demand for oilseed meal is expected to be substantially lower in the first half of 1960-61 than a year earlier, leaving more for domestic use. Prices of protein feeds probably will average a little lower in the 1960-61 feeding year than in 1959-60.

The 1960 hay crop is 5 percent larger than in 1959 and within 3 percent of the record output in 1958. But the carryover of hay was down sharply giving a slightly smaller supply. The supply per animal unit is 5 percent below average as cattle numbers have increased in recent years. Hay prices are about the same level this fall as last and probably will average near the 1959-60 level in the 1960-61 feeding year.

Malcolm Clough

Agricultural Economics Division, AMS

SLIGHT REDUCTION SEEN IN FOOD FATS SUPPLY

Our long run uptrend in supplies of food fats and oils will be temporarily halted during the 1960-61 marketing year. The outlook is for a slight reduction in supply from the 1959-60 record. However, supplies of food fats in 1961-62 probably will increase again and be record large.

Our supply of food fats during the 1960-61 marketing year, which began October 1, is forecast at 14.1 billion pounds (oil equivalent of oilseeds), only 0.1 billion pounds less than the record quantity available last year. Smaller beginning stocks on October 1, 1960—mainly of soybeans—account for the reduction in supply as the output in 1960-61 is expected to be slightly above the previous year.

Domestic disappearance of food fats in the year ahead is expected to continue at about the 1959-60 rate of 46.5 pounds (fat content) per person. With the growth in population expected, total domestic use should increase by over 0.1 billion pounds. These prospects indicate that the quantities of food fats (edible oils, lard, and soybeans) available for export in 1960-61, while 0.2 billion pounds less than last year, will be as large as the record 3.9 billion pounds shipped abroad in 1959-60.

Export prospects for food fats and oils through September 1961 appear bright. In fact, with many foreign countries such as Japan, Spain, and the countries of Western Europe continuing to need substantial quantities of these fats, exports will be as large as the 3.9 billion pounds (including the oil equivalent of oilseeds) in the marketing year just completed.

Thus a close balance between our exportable supplies and export demand in 1960-61 appears likely. The actual balance will depend on the size of foreign oilseed crops, for many of which reliable estimates will not be available until early 1961, and on world political and economic developments.

Exports of edible oils (cottonseed and soybean oils) in 1960-61 probably will

set a new record of about 1.5 billion pounds compared with the 1,450 million pounds the previous year. However, more soybean oil, but slightly less cottonseed oil, likely will move abroad during the current marketing year.

Exports of cottonseed and soybean oils under government programs during the 1960-61 marketing year are forecast at 900 million pounds compared with 744 million pounds shipped out in 1959-60. Most of the increase would be in movement of oil to Spain where the olive crop is smaller than last year. Program exports in 1960-61 are expected to account for nearly two-thirds of the total edible oils shipped compared with about 45 percent in 1959-60.

While oil exports for dollars in 1960-61 will continue high, they are likely to face increased competition in supplies of oils and oilseeds from countries competing in our dollar markets.

Soybean oil exports during 1960-61 are forecast at a record of over 1.0 billion pounds compared with 950 million last year. The increase would reflect a heavier movement of program oil, primarily to Spain. On the other hand, cotton oil exports may be down somewhat from the 500 million pounds in 1959-60.

A large proportion of this year's export volume of edible oil is expected to move out this fall and winter, whereas last year edible oil exports were relatively small during October-March 1959-60—they accounted for only 42 percent of the year's total. The main reason for the shift to the early part of the year during 1960-61 is the strong export demand for soybean oil, not only that primarily from Spain, but also from the other P.L. 480 countries. Sales of cottonseed oil for dollars are also expected to be heavy in the first half of the marketing year, as in 1959-60.

Other factors in the outlook for U.S. exports of food fats and oils include: (1) Major importing areas, such as Western Europe and Japan, will continue to need to import large quantities

(continued on the next page)

of edible oils and oilseeds; (2) output of olive oil in 1960-61 will be less than that in the previous year in the Mediterranean Basin, particularly Spain, the major taker of edible oils under P.L. 480; (3) possible small reduction of exports of palm and palm kernel oil from the Congo, a major exporter, due to political difficulties; (4) rising population and a high level of economic activity in most parts of the world; (5) increased exportable supplies of Philippine copra, Canadian rapeseed, and African peanuts; and (6) Russia's sunflower crop should be up sharply.

Over the long term, the outlook for U.S. exports of edible oilseeds, and their products appears bright. Population increases and the uptrend in per capita consumption suggest an expanding market, and foreign output is not likely to show any major sustained expansion. We may at times have difficulty in moving large supplies, but in the long run U.S. exportable supplies, though large, should be able to move in the export market.

George W. Kromer
Agricultural Economics Division, AMS

OUTLOOK FOR RYE

The supply of rye for 1960-61 totals about 44 million bushels, consisting of a carryover of 10.4 million bushels, estimated production of 31.1 million, and imports of about 2.5 million. This supply is 15 percent above 1959-60, but about the same as the 1954-58 average.

Domestic disappearance of rye in 1960-61 may total about 26 million bushels, compared with 22.7 million a year earlier. Rye exports may total about 5 million bushels which compares with 5.3 million in 1959-60. Based on these estimates, the carryover next July 1 may be about 13 million bushels, 2.6 million above a year earlier.

The rye crop is being supported at a national average of 90 cents a bushel. With a much larger crop in 1960 than in 1959, rye prices will average lower than a year ago.

Robert Post
Agricultural Economics Division, AMS

We moved into the 1960-61 marketing year with a record supply of wheat. During the year, which began July 1, we will have an estimated 2.7 billion bushels available. This is over 250 million bushels more than we had in 1959-60, and 650 million more than the average annual supply in the years 1954-58.

Exports, estimated for 1960-61 at 550 million bushels, would equal the record reached in 1956-57 and be well above the 512 million exported in 1959-60. With domestic disappearance expected to total about 610 million bushels, slightly higher than in 1959-60, the carryover next July 1 may be about 1.5 billion bushels or over 200 million bushels above a year earlier.

With the minimum national allotment of 55 million acres in effect for 1961, about 53 million acres may be harvested. Assuming the 1956-60 average yield of 23.3 bushels an acre, a crop of about 1,235 million bushels would be produced. This may be about 100 million bushels larger than likely disappearance, thereby indicating another increase in the carryover.

Since harvest this year, wheat prices have been higher than usual relative to support levels. Because prices have risen to near or above the effective support level, further advances may be less than usual.

Reflecting the market strength, U.S. prices to farmers in 1960-61 may average a little above the effective support, or slightly below the announced support level. This would be about the same as last year when the price averaged \$1.76 a bushel and the announced loan was \$1.81.

The "advance" minimum national average support price of \$1.78 a bushel for 1961-crop wheat was announced on July 5. This is the same as the 1960 average support price.

The outlook for wheat was covered in detail in our September issue. If you're interested in more information on wheat, rye, or rice see the box on page 3.

Robert Post
Agricultural Economics Division, AMS

"Bert" Newell's Letter

Every now and then when something happens or I think of a topic that might be of interest to you, I make a little pencil note and drop it in a particular drawer in my desk. The other day I ran through some of those notes and, honestly, I couldn't make head nor tail out of some of them, so they went in the wastebasket.

There was one, though, that attracted my attention. It simply said, "Keep friendships in good repair." Where it came from and why I made the note in the first place escapes me entirely. I am sure some wise person must have said it or something very much like it originally, and the idea kept rattling around in my head over the week end. I guess I made it sometime when I was feeling guilty over something I hadn't done or maybe it was some of those repair jobs around home that I had been putting off. There was one I remembered—fixing the latch on the storm door, and it occurred to me that my wife wouldn't be very friendly if I didn't get it up pretty soon. So, I got the screw driver and hammer out and went to work. And, sure enough, she was quite pleased that I had gotten the thing fixed before we had too much severe weather.

Somehow or other, though, I don't think that was the kind of repair work that the originator of that phrase had in mind. Of course, things like cleaning your neighbor's walk after a snow or pushing his car when it's stuck on a cold, frosty morning or having him push yours and lots of little friendly acts certainly help friendship. But you certainly don't go around repairing friendships with hammer and nail and baling wire.

Friends—I mean real friends, not the fellow that comes around polishing the apple and cultivating favors for just what he can get out of you—are the most valuable assets anyone can have. The more I got to thinking about it, the more I began to wonder if we in Crop Estimates have done all that we might

to keep our friendships in good repair. During the heavy crop season we get so involved with working through the reports, meeting deadlines, answering letters and requests, and all of those workaday kind of things we may overlook expressing our appreciation for a lot of the nice things you have done for us during the year. I certainly appreciate the many nice letters I have received, and I know every one of our State Statisticians appreciate the ones you have sent in to them. There have been many good criticisms and helpful suggestions, all of which we have tried to answer; but in case some have been missed, all of us want to express our sincere thanks and appreciation.

Now, again, the year draws to a close. It has certainly been an eventful one, and, agriculturally speaking, we have hung up another record. I hope it has been a good year for you, and during these holidays you can get together with family and friends and enjoy a real happy, oldtime Christmas.

I would like to send each one of you a personal Christmas card, but I am sure you understand that this would be a huge task with the thousands of folks all over this country that I count as my friends. So, please accept this note as my very best wishes for a Merry Christmas and a Happy 1961 from your old friend Bert Newell.



S. R. Newell

Chairman, Crop Reporting Board, AMS

OUTLOOK FOR WOOL

The wool situation next year will be about the same as this year. Average prices received by growers, mill use of wool, and imports of raw wool are expected to be the same. Imports of wool products, however, are continuing to increase. With little change in mill consumption likely in 1961, prices received by domestic producers for shorn wool probably will show much the same pattern in 1961 as this year.

The outlook for wool was covered in detail in our November issue. If you're interested in more information, see the box on page 3.

Charles E. Raymond
Agricultural Economics Division, AMS

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